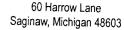
AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government	Туре		Local Govern	ment Name			
City Audit Date			LA	KE TOWNSI	410	Cour	iren
3-3/-		inion Date 8-/0 -		Date Accountant Repor	77-04	state:	
We have audited prepared in accompression of the properting Formation of Tree the properties of the pr	at for Financia	statements of he Statements al Statements	this local un of the Gove for Counties	it of government an	d rendered a	an opinion on s Board (GAS ent in Michiga	financial statements B) and the <i>Uniform</i> an by the Michigan
We affirm that:						R	ECEIVE
1. We have com	plied with the	Bulletin for the	Audits of Lo	ocal Units of Goverr	nment in Mici	higan as revise	PT. OF TREASURY
2. We are certifi	ed public acco	ountants registe	ered to pract	ice in Michigan.			9/22
	the following.	"Yes" response	es have hee	n disclosed in the fi	nancial state	LOCAI ments, includi	AUDIT & FINANCE DIV ng the notes, or in
You must check th							
yes 📝 no	1. Certain co	omponent units	/funds/agen	cies of the local uni	t are exclude	d from the fina	ancial statements.
yes 📝 no	2. There are earnings (e accumulated (P.A. 275 of 198	deficits in 30).	one or more of th	is unit's unr	eserved fund	balances/retained
yes no	3. There are 1968, as a	e instances of i amended).	non-complia	nce with the Unifor	m Accountir	g and Budge	ting Act (P.A. 2 of
yes 📝 no	4. The local or its requi	unit has violate irements, or an	ed the condi order issue	tions of either an o d under the Emerge	rder issued i ency Municip	under the Mur al Loan Act.	nicipal Finance Act
yes no	5. The local i	unit holds depo	sits/investm	ents which do not or P.A. 55 of 1982, a	comply with	ołokuła,	irements. (P.A. 20
yes 🗹 no				distributing tax reve			
yes no		nding credits a	re more tha	itutional requirements) in the current year the normal cost results.	requirement.		
yes no 8	8. The local u 1995 (MCL	nit uses credit	LICY.	WAS ADOATE as not adopted an	SEP	TEMBER olicy as requir	<i>3004</i> ed by P.A. 266 of
yes no s	9. The local ur	nit has not ado	pted an inve	stment policy as red	quired by P.A	A. 196 of 1997	(MCL 129.95).
We have enclose	d the followi	ing:			Enclosed	То Ве	Not
The letter of comme	nts and recom	nmendations.		P6 30	Enclosed	Forwarded	Required
Reports on individua	al federal finan	ncial assistance	programs (•/
Single Audit Reports							V
Certified Public Accou	ıntant (Firm Nan	ne) BERTI	HAIN	R & Como	41/1/ 0	01 -	
Street Address	O HARR	LOW LAN	E	City SAGIN	(A)	State ZII	2//8/1
Accountant Signature	/Len	noch au	Bench	Mum I	NIC	m	48603
							ı

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(989) 791-1555 Fax (989) 791-1992



INDEPENDENT AUDITORS' REPORT

To the Township Board Township of Lake Huron County, Michigan

We have audited the general purpose financial statements of the Township of Lake, Huron County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Lake at March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Lake Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berthiaume & G.

August 10, 2004

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

March 31, 2004

	_		G(<u>OVERNMEN</u>	TAL F	UND TYPE.	5	
ASSETS:	_	General		Special Revenue		Debt Service		Capital Projects
Cash and equivalents Investments Taxes receivable Special assessments receivable Due from other governmental units Due from other funds Property, plant, and equipment, net Amount available for retirement of long-term debt Amount to be provided for retirement of general	\$	124,101 71,579 7,719 - 1,618	\$	154,078 - 15,288 - 328 6,526	\$	11,134 - - 80,832 - -	\$	11,144
long-term debt Total assets	<u>-</u>	205,017	\$	176,220	 \$	01.055		-
LIABILITIES AND FUND EQUITY:	-			170,220	<u> </u>	91,966	\$	11,144
Liabilities: Accounts payable Note payable Due to other governmental units Due to other funds Special assessment bonds payable Deferred revenue	\$	636 - - 6,526 -	\$	- - 6,978 - -	\$		\$	5,000 - - - -
Total liabilities		7,162	-	6,978		78,840 78,840	····	5,000
Fund Equity: Investment in general fixed assets Fund Balance: Unreserved		197,855		-		-		-
Total fund equity		197,855		169,242 169,242		13,126		6,144
Total liabilities & fund equity	\$	205,017	\$	176,220	\$	13,126 91,966	\$	6,144

<i>F</i>	FIDUCIARY <u>FUNDS</u> Trust & Agency		ACCO General Fixed Assets		GROUPS General Long-Term Debt	(Me	Totals morandum Only)
\$	1,618 - - - - - -	\$	- - - - - 369,571	\$	13,126	\$	71,579 23,007 80,832 328 8,144 369,571 13,126
\$	1,618	\$	369,571	\$	169,874 183,000		1,038,536
\$	- - 1,618 - - 1,618	\$	- - - - -	\$	85,000 - - 98,000 -	\$	5,636 85,000 6,978 8,144 98,000 78,840
	1,016		-		183,000		282,598
			369,571		-		369,571
	-		369,571		-		386,367
\$	1,618	\$	369,571	\$	183,000	•	755,938
		-	202,371	Ψ.	103,000	\$	1,038,536

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

	GOVERNMENTAL FUND TYPES Totals										
		_		Special		Debt	_	Capital	(Ma	7))1/	
REVENUES:		General	<u>Revenue</u>			Service		Projects		Only)	
											Only)
Property taxes	\$	93,253	\$	180,128	\$	-	\$			S	272.20
Licenses and permits Intergovernmental:		24,053		· -		_	Ψ			D.	273,38
State grants											24,05
Charges for services		72,896		328		-			_		72 22
Interest and rentals		12,170		-		_					73,224 12,170
Other revenue		1,372		207		6					
		2,487		-		15,745		20,765	-		1,585 38,997
Total revenues		206,231		180,663		15,751		20,765			423,410
EXPENDITURES:											125,410
General government		82,163		1.500							
Public safety		12,682		1,763		-		-			83,926
Public works		26,051		36,930		-		-			49,612
Health and welfare				35,741		-		-			61,792
Community and economic development		2,988		-		-		-			2,988
Recreation and culture		18,942		-		-		-			18,942
Other		650		-		-		-			650
Capital outlay		11,544				-		-			11,544
Debt Service:		2,195		2,723		-		94,621			99,539
Principal											,
Interest		-		40,822		5,263		-			46,085
Total expenditures				4,081		263		_			4,344
-		157,215		122,060		5,526		94,621	-		379,422
Excess of revenues over (under)											
expenditures		49,016		58,603		10,225		(73,856)			43,988
OTHER FINANCING SOURCES (USES):											
Proceeds from special assessment bond		_		_				90.000			
Total other financing sources (uses)		-						80,000			80,000
Excess of revenues and -41.						<u> </u>		80,000			80,000
Excess of revenues and other financing sources over (under) expenditures											
and other financing uses		49,016		58,603		10,225		6144			
Fund balances, beginning of year	1	148,839		110,639		•		6,144			23,988
Fund balances, end of year \$		197,855 \$		169,242 \$		2,901	_				62,379
-		,,,,,,,		· · · · · · · · · · · · · · · · · · ·		13,126 \$		6,144	<u>\$</u>	_ 3	86,367

The accompanying notes are an integral part of the financial statements.

GENERAL AND SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended March 31, 2004

			GE	NERAL FUN	'D		
REVENUES:	Budget			Actual		Variance Favorable (Unfavorable)	
Taxes					1 - 1 - 2	<u> </u>	
Licenses and permits	\$	90,000	\$	93,253	\$	3,253	
Intergovernmental:		16,800		24,053	•	7,253	
State grants						,,	
Charges for services		68,000		、72,896		4,896	
Interest and rentals		10,100		12,170		2,070	
Other revenue		2,000		1,372		(628)	
Total revenues		800		2,487		1,687	
- old Toverides		187,700		206,231		18,531	
EXPENDITURES:							
General government		05 441		00.4.4			
Public safety		95,441 13,350		82,163		13,278	
Public works		29,400		12,682		668	
Health and welfare		3,000		26,051		3,349	
Community and economic development		22,914		2,988 18,942		12	
Recreational and culture		2,650		650		3,972	
Other		15,000		11,544		2,000	
Capital outlay		2,200		2,195		3,456	
Debt Service: Principal		,		2,173		5	
Interest and fiscal charges		-		-		_	
				-		-	
Total expenditures		183,955		157,215		26,740	
Excess of revenues over (under) expenditures		3,746		49,016		45,270	
OTHER FINANCING SOURCES (USES):							
Transfers from other funds							
Transfer to other funds		(3,000)		-		-	
Total other financing sources (uses)	 -			•		3,000	
· · · · · · · · · · · · · · · · · · ·		(3,000)		-	 ,	3,000	
Excess of revenues and other financing sources over (under) expenditures and other financing uses							
		746		49,016		48,270	
Fund balance, beginning of year		148,839		148,839		-	
Fund balance, end of year	\$	149,585	\$	197,855	\$	48,270	

-	S	<u>PECI</u>	<u>IL REVENU</u>	E FU	'NDS
	Budget				Variance Favorable
	Dauger		Actual	(Ur	ifavorable)
\$	181,600 -	\$	180,128	\$	(1,472)
			•••		
	-		328		328
	-		207		207
			-		207
	181,600		180,663		(937)
			-		
	2,000		1,763		237
	37,074		36,930		144
	139,000		35,741		103,259
	-		-		-
	-		-		-
	-		-		•
	6,500		2,723		3,777
	40,822		40,822		_
	5,704		4,081		1,623
	231,100		122,060		109,040
	(49,500)		58,603		108,103
	3,000		-		(3,000)
	-		-		
	3,000		-		(3,000)
	(46,500)		58,603		105,103
	110,639		110,639		-
	64,139	\$	169,242	\$	105,103

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township, which is located in Huron County, Michigan, is governed by a five member elected Board of Trustees and has approximately 1,000 residents. The accompanying general purpose financial statements include the accounts of all Township operations.

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of American as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

REPORTING ENTITY:

In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designations of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Excluded from the reporting entity:

Caseville Area Fire Protection Association — The Township of Lake, along with the Township of Caseville, created this separate entity for the purpose of establishment, operation, and maintenance of a joint fire department and fire authority, including, but not limited to, the acquisition and operation of fire department motor vehicles, equipment, apparatus, housing, and personnel. This joint venture will be funded with special tax assessments from both townships. The assessment of the Township of Lake for the year ended March 31, 2004 amounts to \$81,834 of which \$6,978 is still owed to the Association.

FUND ACCOUNTING:

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds are used by the Township:

GOVERNMENTAL FUND TYPES:

General Fund - The General Fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

GOVERNMENTAL FUND TYPES, continued:

- Special Revenue Fund The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt Service Fund Debt service funds are used to account for the annual payment of principal, interest, and other expenditures on long-term debt.
- Capital Projects Funds Capital Project Funds are used to account for financial resources to be used for the development of capital facilities other than those financed by the operations of an enterprise fund.

FIDUCIARY FUND TYPE:

Agency Fund - This fund is used to account for assets held as an agent for others.

ACCOUNT GROUPS:

- General Fixed Assets Account Group This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).
- General Long-Term Debt Account Group This account group records the balance of long-term debt

BASIS OF ACCOUNTING:

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental fund types and fiduciary fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year-end.

Those revenues susceptible to accrual are property taxes, intergovernmental revenue, interest revenue, and charges for services. Permits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial sources.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BUDGETS AND BUDGETARY ACCOUNTING:

As set forth in the Township Charter, the Township Board adopts an annual budget for the General Fund, Special Revenue Funds. The annual budgets are prepared in accordance with the basis of accounting utilized by the funds. Any revisions or amendments that alter the expenditures must be formally adopted by the Township Board. All annual appropriations lapse at fiscal year-end.

TOTAL COLUMNS ON COMBINED STATEMENTS:

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

FUTURE CHANGES IN ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Township's revenue and expenditure recognition, and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents consist of demand deposits, savings, and certificates of deposit and other investments with an original maturity of three months or less.

SPECIAL ASSESSMENT RECEIVABLE AND DEFERRED REVENUE:

At the time of the levy, special assessments receivable in the amount of the levy, and deferred revenue equal to the amount that is not measurable and available, is recognized in the fund that provides the resources.

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of July 1 for the summer tax levy and December 1 for the winter tax levy. Taxes levied on July 1 and December 1 are due without penalty before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of Huron County and the school districts within the Township boundaries. Real property taxes not collected are turned over the Huron County for collection, which advances the Township 100% for the delinquent taxes; therefore, all delinquent real property taxes are recognized as revenue in the fiscal year corresponding to the year the current taxes are recognized as revenue. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

PROPERTY AND EQUIPMENT:

Purchases of general fixed assets by the governmental funds are recorded as expenditures in the respective fund at the time of purchase and are recorded by the Township within a general fixed assets account group at cost as required by accounting principles generally accepted in the United States of America.

LONG-TERM OBLIGATIONS:

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the General Fund, Special Revenue Fund, and Debt Service Fund have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the line item level.

During the year ended March 31, 2004, the Township incurred no expenditures which were in excess of the amounts appropriated.

NOTE 3: DEPOSITS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the combined balance sheet under the following classifications:

Cash and Cash Equivalents

Deposits - Bank

\$ 373,654

March 31, 2004

NOTE 3: DEPOSITS AND INVESTMENTS, continued

DEPOSITS:

The carrying amount of the Township's deposits with financial institutions was \$373,654 and the bank balance was \$382,915. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Township in its name Uncollateralized and uninsured	\$ 203,155
Total bank balance	179,760
The state of the s	\$ 382,915

Deposits are carried at cost. Deposits of the Township are at two banks. P.A. 217, of 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. Investments, if any, are carried at fair value. The Township's deposits and investments, if any, are in accordance with statutory authority.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables as of March 31, 2004, are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Special Revenue/Road	\$ 1,618 6,526 \$ 8,144	Agency/Current Tax Collection General	\$ 1,618 6,526 \$ 8,144

March 31, 2004

NOTE 5: GENERAL FIXED ASSETS

A summary of general fixed assets is as follows:

	Balance 3/31/03	A	dditions	Dele	etions	Balance 3/31/04
Land Land improvements Buildings Furniture and fixtures Investment in joint venture	\$ 4,000 7,326 44,737 25,224 286,389	\$ -	1,895	\$	- - - -	\$ 4,000 7,326 44,737 27,119 286,389
	\$ 367,676	\$	1,895	\$	_	\$ 369,571

NOTE 6: GENERAL LONG-TERM DEBT

On August 1, 1995, the Township issued \$54,000 of special assessment serial bonds payable from the proceeds of special assessments on the real property in the special assessment district. The bonds are limited tax general obligations of the Township and are backed by its full faith and credit. The serial bonds carry interest at the rate of 5.25% and mature on March 1, 1998 and each year thereafter until paid. However, the Township began paying the bond principal payments on March 1, 1996.

On November 24, 1999, the Township signed an installment purchase agreement for the construction of a fire station building in the amount of \$196,000 payable from the proceeds of special assessments on real property. The fire station was constructed jointly with the Township of Caseville. The amount was financed through a bank and is backed by the Township's full faith and credit. The total cost of the project was \$700,000. Lake Township's portion of \$196,000 is 28% ownership of the building. Annual principal payments of \$19,600 are due on February 1 plus interest at a rate of 4.85%. The Township made additional principal payments in the amount of \$29,062; therefore, the agreement will mature on February 1, 2008.

On December 1, 2003, the Township issued \$80,000 of special assessment serial bonds payable from the proceeds of special assessments on the real property in the special assessment district. The bonds are limited tax general obligations of the Township and are backed by its full faith and credit. The serial bonds carry interest at the rate of 4.15% and mature on November 1, 2004 and each year thereafter until paid.

1995	Special assessment bonds
2003	Special assessment bonds
1999	Fire station loan/debt

 Balance 4/1/03		dditions	P	ayments	Balance 3/31/04
\$ 10,000 - 117,600	\$	80,000	\$	5,000 - 48,662	\$ 5,000 80,000 68,938
\$ 127,600	\$	80,000	\$	53,662	\$ 153,938

March 31, 2004

NOTE 6: GENERAL LONG-TERM DEBT, continued

Maturities for the Fiscal Year Ending	Special Note Payable Assessment Bonds Fire Station											
March 31,		rincipal		Interest	P	Principal		nterest		Total		
2005 2006 2007 2008 2009 2010-2012	\$	10,000 10,000 10,000 10,000 10,000 35,000	\$	3,305 3,112 2,698 2,282 1,868 3,528	\$	19,600 19,600 19,600 10,138	\$	3,343 2,393 1,442 492	\$	22,943 21,993 21,042 10,630		
	\$	85,000	\$	16,793	\$	68,938	\$	7,670	\$	76,608		

NOTE 7: PROPERTY TAXES

The 2003 tax levy is based on the following property valuation and millage rates:

Taxable valuation	\$ 69,722,235
Millage rates per \$1,000 of taxable valuation:	
General operating Roads and Gypsy Moth	1.0063 1.4290
Total mills	2.4353
Taxable valuation	\$ 68,961,035
Millage rates per \$1,000 of taxable valuation:	
CAFPA (Fire)	1.2000

NOTE 8: DEFINED CONTRIBUTION PENSION PLAN

The Township has created a defined contribution pension plan for certain officers and employees. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

March 31, 2004

NOTE 8: DEFINED CONTRIBUTION PENSION PLAN, continued

COVERED CLASSES OF OFFICERS AND EMPLOYEES:

Members of the Township Board Employees of the Township Transfer Station Township Assessors Zoning Administrator Extra Office Help Deputy Clerk

ELIGIBILITY:

Covered employees are eligible to participate in the plan provided they are employed for more than twenty hours per week on a regular basis and are at least twenty-one (21) and not more than seventy-five (75) years old.

CONTRIBUTION FORMULA:

The employer will contribute 7.5% of the annual compensation and the employee will contribute 7.5% of the annual compensation. Past service is calculated as 3% of current annual compensation for each year of eligible past service to a maximum of ten years and is paid by the Township.

VESTING:

Each person covered under the plan shall have a vested interest in the plan immediately from the date the plan becomes effective.

UNDERWRITER:

Manufacturer's Life Insurance Company.

PLAN ACTIVITY:

For the plan year January 1, 2003–December 31, 2003, the salaries of covered employees were \$53,067 and the salaries of all township employees were \$76,127. All required contributions to the plan were made.

A summary of the plan activity for the plan year ended December 31, 2003, is as follows:

	<u>E</u>	<u>Employer</u>			Total		
Account value 12-31-02	\$	29,974	\$	26,429	\$	56,403	
Current year contributions Distributions Interest net of fees Account value 12-31-03		4,213 (6,701) 6,750		4,213 (5,287) 5,338		8,426 (11,988) 12,088	
Account value 12-31-03	\$	34,236	\$	30,693	\$	64,929	

March 31, 2004

NOTE 9: RISK MANAGEMENT

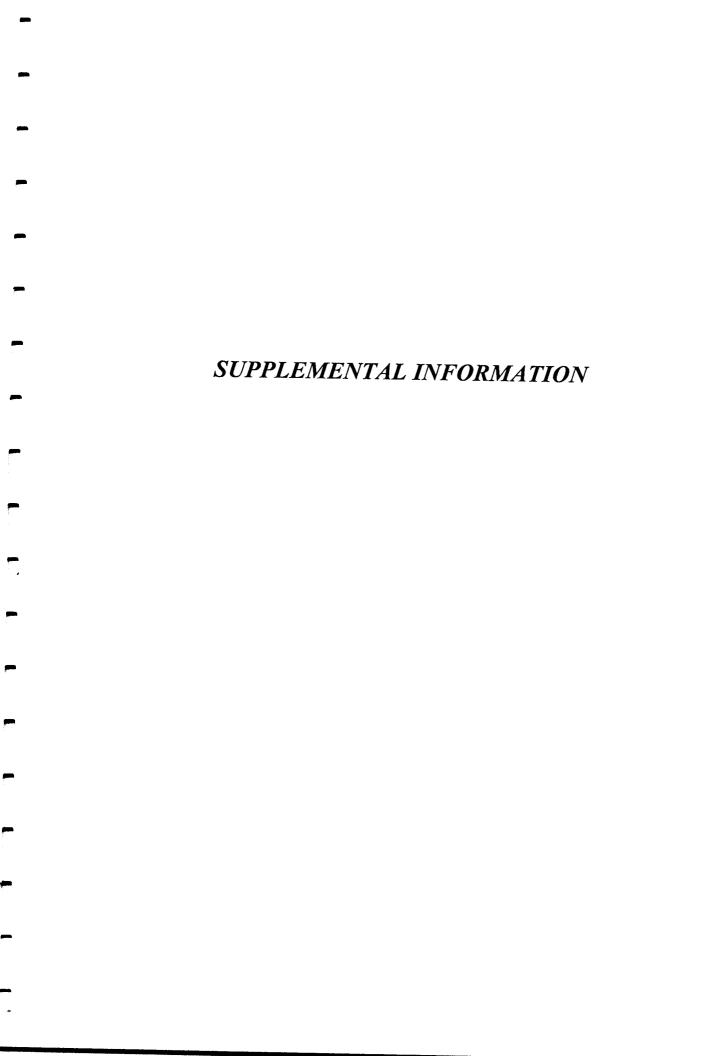
Significant losses are covered by commercial insurance for all major programs. For the year ended March 31, 2004, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10: STATE CONSTRUCTION CODE ACT

The Township oversees building construction, in accordance with the state's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at March 31, 2004	\$ -
Related expenditures: Direct costs	29,960
Current year building permit revenue	20,423
Surplus at April 1, 2003	\$ -

In accordance with the new law, \$0 of fund balance in the General Fund has been reserved for future construction code activities.



STATEMENT OF REVENUES

For the Year Ended March 31, 2004

REVENUES:	
Current Taxes:	
Property taxes	\$ 69,241
Property tax administration fee	23,002
Payment in lieu of taxes	1,010
Time. ID to	93,253
Licenses and Permits:	
Business licenses and permits	220
Non-business license and permits CATV franchise fees	18,235
CAT V Tranchise fees	5,598
State Grants:	24,053
Summer tax reimbursement	
State revenue sharing	5,408
State Toveride Sharing	67,488
Charges for Services:	72,896
Refuse collection fees	
Zoning/variance application fees	9,602
Charges for services – other	2,348
Charges for services — offici	220
Interest and Rents:	12,170
Interest and Kents: Interest earned	
interest carried	1,372
Od. n	1,372
Other Revenue:	
Reimbursements Miscellaneous/other	2,191
Miscenaneous/otner	296
	2,487
Total revenues	\$ 206,231
	- 200,251

STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:	
Board:	
Personnel	\$ 1,920
Mileage/auto	\$ 1,920 230
Education and training	137
	*
Supervisor:	2,287
Personnel	0.054
Mileage/auto	8,021
Education and training	506
Education and training	368
	8,895
Clerk:	
Personnel	12,200
Supplies	190
Mileage/auto	359
Education and training	563
Audit:	13,312
Contracted services	
Confidence services	2,100
- · · · ·	2,100
Board of Review:	
Personnel	1,905
Supplies	20
Mileage/auto	49
Education and training	165
Printing and publications	31
	2,170
Treasurer:	
Personnel	11,592
Supplies	2,542
Mileage/auto	1,019
Education and training	65
	15,218

STATEMENT OF EXPENDITURES continued

For the Year Ended March 31, 2004

General Government, continued:	
Assessor:	
Personnel	14,000
Supplies	92
Mileage/auto	599
Education and training	380
	15,071
Elections:	<u></u>
Supplies	28
Repairs and maintenance	165
	193
Building and Grounds:	
Telephone	1.545
Utilities	1,545
Repairs and maintenance	2,407
	1,186
	5,138
Attorney:	
Contracted services	3,325
	3,325
Other General Government:	
Personnel	3,798
Supplies	1,431
Contracted services	7,244
Dues and memberships	1,135
Printing and publications	726
Other	120
	14,454
Total general government	82,163

STATEMENT OF EXPENDITURES continued

For the Year Ended March 31, 2004

Protective Inspection and Regulation:	
D 1	
Personnel	10,800
Supplies	429
Mileage/auto	163
Education and training	440
	11,832
Other Public Safety:	
Contracted services	850
	850
Total public safety	12,682
Public Works:	
Drains – Public Benefit:	
Contracted services	4,853
	4,853
Street Lighting:	
Utilities	124
	124
Sanitation/Refuse:	
Personnel	4,030
Contracted services	636
Repairs and maintenance	2,833
Rental—equipment	13,575
	21,074
Total public works	26,051
Health and Welfare	
Ambulance:	
Contracted services	2,988
	2,988
Total health and welfare	2,988

STATEMENT OF EXPENDITURES continued

For the Year Ended March 31, 2004

Community and Economic Development	
Demolition:	
Contracted services	650
Planning:	650
Personnel	2.005
Contracted services	3,925
Mileage/auto	6,007
Education and training	105 232
Printed and publications	58
	10,327
Zoning:	10,527
Personnel	6,535
Supplies	164
Mileage/auto	811
Education and training	317
Printed and publications	138
	7,965
m . 1	
Total community and economic development	18,942
Recreation and Culture	
Library:	
Contracted services	650
	650
Total recreation and culture	650
Other:	
Insurance and Bonds:	
Insurance	4.50
	4,726
	4,726
Employee Benefits:	
Pension	4,272
	4,272

STATEMENT OF EXPENDITURES continued

For the Year Ended March 31, 2004

Other, continued:	
Payroll Taxes:	
Payroll taxes	2,546
	2,546
Total other	11,544
Capital Outlay:	
General Government:	
Other general government	2,195
	2,195
Total capital outlay	2,195
Total expenditures	\$ 157,215

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Road Fund		CAFPA Fire Fund		Gypsy Moth Fund		Capital Improvement Fund		·	Totals	
ASSETS:											
Cash and cash equivalents Taxes receivable Due from other governmental units Due from other funds	\$	84,005 8,310 328 6,526	\$	- 6,978 - -	\$	64,621	\$	5,452 - -	\$	154,078 15,288 328 6,526	
Total assets	\$	99,169	\$	6,978	\$	64,621	\$	5,452	\$	176,220	
LIABILITIES AND FUND BALANCE:											
Liabilities: Due to other governmental units	\$	_	\$	6,978	\$	_	\$	<u>-</u>	\$_	6,978	
Total liabilities		-		6,978				-		6,978	
Fund Balance: Unreserved		99,169		-		64,621		5,452	1	169,242	
Total fund balance		99,169		-		64,621		5,452		69,242	
Total liabilities & fund balance	\$	99,169	\$	6,978	\$	64,621	\$	5,452		76,220	

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

	Road Fund		CAFPA Fire Fund		Gypsy Moth Fund		Capital Improvement Fund	Totals
REVENUES:								
Property taxes Intergovernmental:	\$	98,295	\$	81,833	\$	-	\$ -	\$ 180,128
State grants		328		-		_	_	328
Interest and rentals		172		_		_	35	207
Total revenues		98,795		81,833		-	35	180,663
EXPENDITURES:								
General government							1.762	1.760
Public safety		-		36,930		-	1,763	1,763
Public works		35,741		50,950		-	-	36,930
Capital outlay		-		_		_	2,723	35,741
Debt Service:							2,723	2,723
Principal		-		40,822		_	_	40,822
Interest		-		4,081		_	-	4,081
Total expenditures		35,741		81,833		-	4,486	122,060
Excess of revenues over (under)								
expenditures		63,054					(4,451)	58,603
Fund balance, beginning of year		36,115		-	64,62	1	9,903	110,639
Fund balance, end of year	\$	99,169	\$	-	\$64,62	1	\$ 5,452	\$ 169,242

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	-	Blake & Osbourn Drive Provements	Sa Si	esters White and Shores ubdivision Road provements	Old Sand Road provements	 Totals
ASSETS:						
Cash and cash equivalents Special assessments receivable	\$	1,751 4,479	\$	8,233 57,711	\$ 1,150 18,642	\$ 11,134 80,832
Total assets	\$	6,230	\$	65,944	\$ 19,792	\$ 91,966
LIABILITIES AND FUND BALANCE:						
Liabilities: Deferred revenue	\$	4,167	\$	56,713	\$ 17,960	\$ 78,840
Total liabilities		4,167		56,713	17,960	 78,840
Fund Balance: Unreserved		2,063		9,231	1,832	 13,126
Total fund balance		2,063		9,231	1,832	13,126
Total liabilities & fund balance	\$	6,230	\$	65,944	\$ 19,792	\$ 91,966

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

	_	Blake & Osbourn Drive provements	Sa Su	sters White nd Shores abdivision Road provements	_	old Sand Road rovements	Totals
REVENUES:							
Interest and rentals Special assessments	\$	- 4,688	\$	- 9,231	\$	6 1,826	\$ 6 15,745
Total revenues		4,688		9,231		1,832	 15,751
EXPENDITURES:							
Debt Service: Principal Interest and fees		5,263 263		- -		<u>-</u>	5,263 263
Total expenditures		5,526		_		-	 5,526
Excess of revenues over (under) expenditures		(838)		9,231		1,832	10,225
Fund balance, beginning of year		2,901		-		-	2,901
Fund balance, end of year	\$	2,063	\$	9,231	\$	1,832	\$ 13,126

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

March 31, 2004

	Sa Su	sters White nd Shores ibdivision Road provements	Old Sand Road provements	Totals
ASSETS:				
Cash and cash equivalents	\$	8,259	\$ 2,885	\$ 11,144
Total assets	\$	8,259	\$ 2,885	\$ 11,144
LIABILITIES AND FUND BALANCE:				
Liabilities: Accounts payable	\$	4,000	\$ 1,000	\$ 5,000
Total liabilities		4,000	1,000	 5,000
Fund Balance Unreserved		4,259	1,885	6,144
Total fund balance		4,259	1,885	6,144
Total liabilities and fund balance	\$	8,259	\$ 2,885	\$ 11,144

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended March 31, 2004

	Sa Sı	sters White nd Shores abdivision Road provements	Old Sand Road provements	 Totals
REVENUES:				
Special assessments	\$	20,765	\$ -	\$ 20,765
Total revenues		20,765	-	20,765
EXPENDITURES:				
Capital outlay		80,506	14,115	94,621
Total expenditures		80,506	14,115	 94,621
Excess of revenues over (under) expenditures		(59,741)	(14,115)	 (73,856)
OTHER FINANCING SOURCES (USES):				
Proceeds from special assessment bonds		64,000	16,000	80,000
Total other financing sources (uses)		64,000	 16,000	 80,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses		4,259	1,885	6,144
Fund balance, beginning of year			 _	 -
Fund balance, end of year	\$	4,259	\$ 1,885	\$ 6,144

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

		CURRENT TAX COLLECTION FUND					
		3/31/03	Additions	Deductions		Balance 3/31/04	
ASSETS:							
Cash	\$	1,590	\$ 2,161,574	\$ 2,161,546	\$	1,618	
LIABILITIES:							
Due to other funds Due to other governmental units	\$	1,590 -	\$ 261,336 1,900,238	\$ 261,308 1,900,238	\$	1,618	
Total liabilities	\$	1,590	\$ 2,161,574	\$ 2,161,546	\$	1,618	

SCHEDULE OF INDEBTEDNESS

March 31, 2004

SPECIAL ASSESSMENT BONDS – BLAKE AND OSBOURNE ROADS:

Payment Date	Total Payment	Principal Payment	Outstanding Balance	
				\$ 5,000
9/1/04 3/1/05	131 5,131	131 131	5,000	5,000
	\$ 5,262	\$ 262	\$ 5,000	

SPECIAL ASSESSMENT BONDS – FOSTERS WHITE SANDS SHORES SUBDIVISION AND OLD SAND ROAD IMPROVEMENTS:

Payment Date	Total Payment	Interest Payment	Principal Payment	Outstanding Balance	
				\$ 80,000	
5/1/04	\$ 1,383	\$ 1,383	\$ -	80,000	
11/1/04	6,660	1,660	5,000	75,000	
5/1/05	1,556	1,556	-	75,000	
11/1/05	11,556	1,556	10,000	65,000	
5/1/06	1,349	1,349	-	65,000	
11/1/06	11,349	1,349	10,000	55,000	
5/1/07	1,141	1,141	-	55,000	
11/1/07	11,141	1,141	10,000	45,000	
5/1/08	934	934	-	45,000	
11/1/08	10,934	934	10,000	35,000	
5/1/09	726	726	-	35,000	
11/1/09	10,726	726	10,000	25,000	
5/1/10	519	519	-	25,000	
11/1/10	10,519	519	10,000	15,000	
5/1/11	311	311	,	15,000	
11/1/11	5,311	311	5,000	10,000	
5/1/12	208	208	•	10,000	
11/1/12	10,208	208	10,000	-	
	\$ 96,531	\$ 16,531	\$ 80,000		

SCHEDULE OF NOTE PAYABLE

March 31, 2004

FIRE STATION BUILDING:

Payment Date	nt Total Interest Payment Paymen		Principal Payment	Outstanding Balance
				\$ 68,938
2/1/05 2/1/06 2/1/07 2/1/08	\$ 22,943 21,993 21,042 10,630	\$ 3,343 2,393 1,442 492	\$ 19,600 19,600 19,600 10,138	49,338 29,738 10,138
	\$ 76,608	\$ 7,670	\$ 68,938	



60 Harrow Lane Saginaw, Michigan 48603

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MANAGEMENT LETTER

Members of the Township Board Township of Lake Huron County, Michigan

We have completed our audit of the financial statements of the Township of Lake for the year ended March 31, 2004, and have issued our report thereon dated May 1, 2004. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Township's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township of Lake taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses. We did, however, note the following: The Township has not adopted a credit card use policy as required by PA 266 of 1995. Sample policy formats are available at the Michigan Township Association's website.

This report is intended solely for the use of the Township management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination. If there is a need to discuss the above comments further, please contact us at your convenience.

Berthiaume & Company Certified Public Accountants

Berthium & Co.

August 10, 2004